

March 1, 2018

U.S. Postal Regulatory Commission
901 New York Avenue NW, Suite 2000
Washington, DC 20268-0001

RE: 10-Year Regulatory Review – Case Number RM2017-3

Dear Commissioners,

As a representative of Freedom Graphic Systems, Inc and a member of the mailing industry whose livelihood depends on a viable postal system, I am writing to convey my strong opposition to the changes you have proposed as a result of your 10-year review of the system for regulating rates. Last year, our company accounted for over 2.5 billion pieces of mail entered into the USPS Postal system on behalf of our clients.

By the Postal Regulatory Commission's (PRC) conservative estimates, this proposal would increase the postage costs of mail by perhaps more than 27% for letters and more than 40% for some flats over a five-year period. As we talk with our customers, who use the mail for a wide range of communication and commercial purposes, these proposed increases are already pushing them to consider how to reduce mail volume by improved targeting and accelerating their migration to digital channels and in some cases, alternate delivery methods. Reviewing the proposal with our mail owners, it is very clear that if this gets passed, the mail owners we currently work with, will be accelerating the migration to alternate channels.

It's more important now than ever that the PRC understands the transformation the mailing industry has undergone. Under the CPI cap and in response to exigent price increases, rate increases by the Postal Service have been partially offset by strategic investments to support increasingly complex mail preparation requirements to qualify for the most preferred postage rates through incentive programs like commingling, co-palletization, and co-mailing. Mail service providers, and logistics and transportation companies have made prudent capital investments to reduce costs, improve workflow, and increase throughput efficiencies. Substantial volume declines such as would result from proposed regulatory changes negate the return from any further such investments.

Rather than ask the Postal Service to achieve similar productivity improvements, the PRC's proposal provides the Postal Service excessively broad pricing flexibility at a time when tight margins and greater uncertainty regarding postage rates risk destabilizing the mail system and encourage users of the mail to flee. For these reasons, I urge you to reconsider your decision to

permit the draconian rate increases that would inevitably result from your proposal. I respectfully suggest that a more appropriate focus is on improved understanding and management of the costs within the Postal Service. As a business, we must aggressively manage our costs and provide high quality services to survive. Your proposal absolves the Postal Service of the need to meet similar standards by simply allowing them to increase prices to cover their costs.

As an alternative to a price increase structure, we believe that the PRC needs to take a hard look at the ROOT CAUSE of what is driving the need for a price increases. We continue to read reports on the continued decline of the mail in the system and as an industry, we need to focus on how to increase mail volume. We have learned through our experiences, if we can pass on price reductions, we see our client re-invest back into print vs. taking the savings and running less. We are in a cost per response market and the more mail in the market, the greater opportunity to drive results.

We encourage the PRC to consider programs to drive mail volume increases. We have many ideas on how to accomplish this and these ideas would be best discussed in person or via phone. We believe in order for this to be successful, this needs to be built directly into the pricing structure and not as one off NSA's. The NSA structure is very costly and directed only at a few. An idea of establishing incremental volume above prior quarter which could receive an additional discount. New mail programs that never mailed before could be an incentive. The entire Mail industry has always built their pricing structure based on the volume we are producing for a given project or mail owner.

To help contain additional costs, the PRC needs to work with a select group of industry leaders to look at ways that work sharing can contribute to savings and an increase the predictability of the mail products.

We are very interested in getting together with you to review ideas that could promote bringing volume back into the mail industry.

Regards,



Eric Blohm
evp of operations
Freedom Graphic Systems, Inc